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ALBERTA'S PROGRESS

The Record of

The World's First Social Credit
Province



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Perhaps a word of explanation is needed as to how this article has come to be written at all. The lack of publicity in the British press about Alberta, and statements there which conveyed no idea of the enormous success of the economic experiments which have been carried out there by the Social Credit Government since it came into office in 1935, prompted an English Social Creditor to write to the Government of that province in order to obtain authentic information as to the work carried out by that Government since that date. What follows is the substance of the reply he received from the Director of Information Services of the province, outlining the actions of his Government in the eighteen years since it came into office. We present it here as an honest account of what a sane economic policy has done for a formerly bankrupt province, even though it has not been possible to put some of the fundamental proposals of Social Credit into practice there.

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The Social Credit movement in Alberta came into being in 1934 as the result of Mr. William Aberhart's campaign during the depression of the early 1930's to better economic conditions not only for the very poor, but also for the large majority. For there was no problem of production in those days but there was such a lack of purchasing power (money) in the hands of consumers that although the stores were full of goods, and farmers' crops were a glut on the market, they had not the money to buy, and were compelled to do without to the point of destitution.

It was not because the farmers were inefficient as producers that they could not pay their debts. Many of them had harvested rich yields of grain, the price of which was so low that even the out-of-pocket costs of production could not be recouped, without taking into account any of the work of the farmer and his family. Cattle were so low in price that in some cases farmers who shipped them by railroad to the markets either had to prepay the freight charges before the cattle were loaded, or else be prepared to make up any loss that might be incurred if the sale value of the stock when sold was not even sufficient to pay the freight charges. Long lines of applicants for jobs and soup-kitchen relief were a familiar sight in the cities. Unable to obtain work in order to earn money to buy their food and pay their way, they were threatened with, or actually suffered, eviction from their homes—yet the need for work was apparent on every hand, and the bumper crops were a drug on the market.

"Equitable and scientific control of the financial policy of the community," explained Aberhart, "would put purchasing power into the hands of those who had little or none, and result

in an effective demand for those goods and services which were available in such abundance. This money would be brought into existence by the Department of Finance and would be sufficient to balance the current income of the people with the total retail prices of the goods and services they themselves brought into existence." The people of Alberta endorsed this policy, and the world's first Social Credit Government was elected into office.

As soon as this Government was elected it faced a provincial debt of \$167 millions which had been accumulated by previous governments. The Treasury was empty, the salaries of Civil Servants could not be paid. Business was at its lowest ebb. Farmers owing to the excessively low prices for their produce, had no money with which to pay their taxes. The Government was on the horns of a dilemma. It could not levy additional taxes with any hope of collecting them, nor could it borrow because of the excessively low prices of its natural resources, which were its only assets. As the former Premier had said : "The Credit of the Province is exhausted."

Yet in spite of all these evidences of a lack of purchasing power which the Alberta Government was now trying desperately to find means to overcome, every legal and constitutional device has been enlisted to thwart their endeavours. Under the British North America Act, which is regarded as the written constitution of Canada, all matters relating to Interest, Money and Banking are expressly mentioned as coming under Federal rather than Provincial jurisdiction, and up to the present, with the exception of certain ameliorative measures, the Social Credit Government of Alberta has only been able to attack the fringe of the embattlements of high finance by the introduction of the Provincial Treasury Branches system. These have provided an acceptable and convenient means of exchange (transfer vouchers) for a limited number of transactions of an orthodox nature, but the Government of Alberta are forbidden to create financial credit, which is one of the chief functions of a bank, by every obstacle which law, constitution, usage and power can erect to prevent it. Therefore there has so far been no comprehensive implementation of the practical financial policies of Social Credit in Alberta. The only recourse left to Alberta has been to incline its policies as far as possible towards Social Credit principles, while at the same time keeping within the restrictions as defined and understood by orthodox constitutionalism.

At that time there was plenty of material for building roads, but there was no money. Farmers who were unable to pay their taxes were therefore permitted to do work on the roads instead, provided they made use of "Prosperity Certificates" as far as possible. More will be said about these later. As up to that time a lot of the country roads were built and used mostly

by farmers, this policy provided the groundwork for a measure of rural rehabilitation. This also was the time which saw the turning-point from horse traffic to motor traffic in the country, and the Provincial Government recognised that more and better highways were the need of the future. They discontinued the policy of letting out highway construction to contractors, and instead of borrowing to pay for it, adopted a pay-as-you-go policy. Modern machinery was bought, and skilled men hired to run this, as economic conditions improved.

In spite of the opposition of the financial interests which tried to foreclose on farmers who were made bankrupt by the low prices, the incoming Government made arrangements which provided the people with a means to carry on their business and exchange their goods and services, encouraged the production and processing of Alberta-made goods, and revived the economy of the province. The wisdom of this policy has been proved by the fact that today these farmers have paid the debts on their farms and are now prosperous. One method used was by the issue of "Prosperity Certificates"—250,000 of them of \$1 denomination, of which now all but 20,000 have been redeemed. These were self-redeeming certificates issued by the Alberta Government, which circulated among the people. Every week a provincially-issued one-cent stamp had to be affixed. This provided an incentive to keep them circulating, thus speeding up the exchange of many goods and services that would otherwise have lain dormant. They had the effect of reviving trade between primary producers and dealers in articles of a secondary nature, and although not a new creation of financial credit, yet they were a highly educative influence, in that their use convinced the people that if the circulating media had become difficult to obtain because of its general scarcity, this state of affairs could be partially remedied by a substitute, even though this was subject to a measure of taxation.

One of the policies which enabled the Social Credit Government to circumvent the restrictive efforts of the power of orthodox finance was that of increasing the number of its Treasury Branches. A central Treasury Branch was within the rights of the province and had always been maintained. Branches and agencies were set up at strategic points throughout the Province to act as Savings Banks for the people, and render such other services as are usually performed by branch banks. The right to negotiate loans was severely restricted by the Federal Law which confines the privilege of the creation of financial credit to the chartered banks. Only a fraction of the amount permanently on deposit, therefore, could safely be used by the Treasury Branches for this purpose. Nevertheless, through the agency of these Branches, the Government was able to effect a policy of encouragement to Alberta industry.

To those people who entrusted their savings to the Treasury Branches, and who dealt with storekeepers who did so a discount of 3% was allowed on all purchases, provided that "Alberta Made" or "Alberta Processed" goods comprised at least one-third of the total purchases. The transactions were accomplished by means of Transfer Vouchers, used as ordinary bank cheques to transfer amounts from the account of one person at the Treasury Branch to that of another, with the difference that no stamps were required. Thus by inducement only, and without any restrictions, industrial development was encouraged in Alberta.

Believing that the Government of the Province could not be master in its own house as long as it was tied by debt to the orthodox financial organisations, the Social Credit Government has made debt reduction one of its important policies. By its refusal to borrow, by spending within its means, and by inaugurating policies for the development of industry in Alberta so as to promote a well-balanced economy, it succeeded in wiping off nearly \$20 millions of debt during its first twelve years of office. The better prices which prevailed for Alberta goods during the war years was undoubtedly a factor which enabled the Government to finance its operations and at the same time reduce its debt. This can largely be traced to the financial policy which accompanies all wars, *i.e.*, financial credits are created to purchase war requirements of both food and arms, and as this money gets into circulation a period of economic prosperity begins. But note the drawbacks of this policy. First, at the end of the war, when all the physical cost, the "blood, sweat and tears" has been paid, there is left on the people an enormous burden of debt chiefly to the financial institutions which created the new money; secondly, this war-time policy, which increases the buying-power of the community before the goods come on the market, creates an unsatisfied demand for goods which sends wages and prices rising in inflation. The Social Credit policy of increasing buying-power at the same time as the goods come on to the market would successfully prevent this inflationary tendency. *Social Creditors believe that, just as the necessary money for war can always be found by the wrong means of debt creation, so can the necessary money be found for all peace-time development and prosperity by the correct method of credit creation.*

By reason of the fact that it understands the debt-building fallacies of the present system, and in addition has a knowledge of a "better way," the Social Credit Government of Alberta is able to avoid some of the pitfalls prepared so cunningly by the present debt-building system for the feet of the unwary. By careful administration, followed up by the carefully fostered development of a comprehensive industrial programme, the progress was continued. The providential discovery of the

oilfield at Leduc in 1947, and at Redwater in 1948 gave added impetus to Alberta's strides towards the liquidation of the Provincial debt with the aid of their revenues. But it must be noted that the Provincial debt was reduced by \$40 millions before the discovery and development of the Leduc and Redwater oilfields. The policy of debt reduction had been carried on progressively ever since the Government came into office, slowly at first, but effecting steady reduction as the carefully planned policies of progress with freedom bore fruit. The debt has now been reduced to less than \$100 millions : when the present Government came into office in 1935 at the depth of the depression to find the treasury empty, the total debt stood at \$167 millions.

The introduction of the Alberta Bill of Rights to the Legislature in 1946 by Premier Manning can be regarded as the focal point of many years of endeavour and experience. It was carefully drawn up not to infringe on the rights of the banks or the Federal Government. Precautions had been taken to have its provisions tested by the Supreme Court of Alberta before it was proclaimed law. However, although it was passed in the legislature with an overwhelming majority, it was declared ultra vires in part by the Supreme Court of Alberta, and in whole by the Privy Council. There is no doubt in the minds of Alberta Social Creditors that International Finance was afraid that Social Credit could be successful to a considerable extent, even though limited to one province, therefore it should be stopped at all costs. Had it been permitted, Alberta would have sprung ahead faster and further even than it has already, and the consequence would have been that the people of every province in Canada would have demanded similar policies. That would have spelled the end of the domination of Finance.

Since the time of the disallowance of the Alberta Bill of Rights in 1947, the Government has tried to apply Social Credit principles wherever it saw the possibility of doing so without coming into conflict with the claimed rights of orthodox financial control. The discovery of two major oilfields, which is directly attributable to the encouragement of private enterprise and a square deal being given for the risks of private capital, has placed the Government in a position where it has already planned for the paying off of the province's bonded indebtedness entirely in 20 years. Provision has also been made for outright payment before that time, if it is considered in the interests of the province to do so. Already the province has some \$100 millions in reserve for this purpose, consisting of readily marketable bonds and debentures at book value. Nor is the income from oil resources etc., lying idle : it is being used to encourage and aid self-liquidating projects in Alberta Municipalities at a very low rate of interest (2%).

The Social Credit Government of the Province of Alberta has been assailed from two major fronts. There are those who say that the Government has attempted to violate existing laws and constitutional practice by its attempted policies, while on the other hand, there is criticism that the Social Credit Government has not even attempted to implement the mandate upon which it was elected. Both these criticisms can scarcely be true at once! The fact that ample provision was made in the British North America Act to give the Courts, the Federal Government and also the Privy Council the right to check or prevent any provincial act of which they do not approve makes the first charge of little importance, while to show briefly how Alberta's prosperity is the result of a *break* with traditional financial methods the following items may be cited :—

1. The passing of the necessary protective legislation to save farmers and other productive home-owners from being turned off their land thus maintaining their productive services within the province.

2. The reduction of the interest rate payable on provincial bonds by half, from about 6% to about 3%, to bring it more into line with the lowered incomes throughout the province. (At the time the Government came into power, farmers' income from the sale of wheat, for example, was down by 66% : wheat sold at 30-40 cents per bushel whereas previously it had been at \$1.40. Interest payments absorbed over 50% of the provincial revenue and as more money could only be obtained at the expense of primary and secondary industries already on the verge of bankruptcy, this cut was a matter both of equity and necessity. It was finally accepted by 97% of the bond-holders).

3. Provision of a "free" medium of exchange—Transfer Vouchers—for those with deposits in the Treasury Branches, so that they could buy from one another and also from store-keepers without using national currency.

4. The development of Alberta industries by paying a bonus to the consumer if he purchased goods produced, processed or manufactured in Alberta.

5. Refraining from "borrowing" for public works, doing all work on a "pay-as-you-go" basis.

6. Setting up a provincial Insurance branch, thereby preventing the drain of National currency from the province to financial houses with offices in the East, thus maintaining reserves for external use and providing cheaper insurance for Alberta people.

7. Provision of "debt-free" land for returned veterans, thus adding the amount of their Federal gratuities to the total of orthodox financial reserves within the province.

8. Using the funds obtained from the sale of oil leases and oil royalties to pay off a portion of the provincial debt and refund the remainder on such advantageous terms as to result in a saving to the province of \$24 millions.

9. Retaining other cash surpluses within the province, and loaning it for self-liquidating municipal projects at 2% interest, also providing for tax reductions for Municipalities to pass on to the people. In this way the province is making use of money, coming from an orthodox source, which will later be used to pay off the provincial debt when it is in the best interest of the people and the province. Meanwhile it can be used to reduce taxation and encourage the formation of new enterprises in the province which will develop its resources without incurring new debt. This is a step towards the lower taxation and the greater production without incurring new debt, advocated by the Social Credit proposals.

As already mentioned Alberta is prevented by law from introducing fundamental changes in financial policy which a full Social Credit programme would require. In spite of the record for fair and efficient administration which the Social Credit Government has established and which is one of the reasons for its recent overwhelming return to power, every attempt it has made to carry out the mandate of the people to introduce an economy based on Social Credit principles has been bitterly opposed by the high financial interests. These use all of their undoubted power to prejudice, cajole or force all of those whom they can influence and to oppose anything appertaining to Social Credit, but with a good deal of cunning they give generous verbal support to every orthodox action, financial or otherwise which the Government takes. In this way the administration of the Government is made to appear, superficially at least, to owe its success to the degree with which it pursues a policy of orthodoxy and abstains from active attempts to introduce Social Credit principles.

Yet at some time in the future it may have the opportunity to inaugurate the financial proposals of Social Credit. As crisis succeeds crisis in this world's affairs, as a result of the failure of the present financial policy to reflect the real possibilities of production and consumption, there may be a change in the disposition of the Powers that be, so that the Government of Alberta will be allowed to put some of its proposals into effect. By using the limited funds which are at present at its disposal to advance the welfare of its people, and at the same time drawing itself out of debt in a world that is daily getting itself more deeply involved. Alberta may be able to instil confidence in its methods, and be allowed greater latitude. It is essential that the majority of the people all over Canada who use their votes should be imbued with confidence in the methods adopted by the Social Credit Government of Alberta before they will be persuaded to vote Social Credit in a Federal Election. It is the responsibility of the Government of Alberta to instil that confidence.